

Message Text

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ACTION EUR-12

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AMEMBASSY MOSCOW

AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY WARSAW

AMEMBASSY PRAGUE

AMEMBASSY BERLIN

USMISSION NATO BRUSSELS

USEC BRUSSELS

C O N F I D E N T I A L SOFIA 2574

E.O. 11652: GDS

TAGS: BU, EEWT, EFIN, CSCE

SUBJECT: MEETING WITH FOREIGN TRADE BANK CHAIRMAN

1. SUMMARY. CHAIRMAN OF BULGARIAN FOREIGN TRADE BANK HAS CONFIRMED TO
US THAT BULGARIA OBTAINS HARD CURRENCY FROM SOME INTRA-CEMA TRADE ABOVE

PLANNED LEVELS. WHILE DECLINING TO DISCUSS SPECIFICS OF BULGARIAN
BALANCE-OF-PAYMENTS SITUATION, HE INDICATED FOREIGN BORROWING WOULD
PROBABLY BE LESS DURING CURRENT FIVE-YEAR PLAN AND SAID "WE WILL
DEFINITELY REPAY MORE THAN WE WILL BE BORROWING" DURING THAT PERIOD. HE

SEEMED PERSONALLY UNHAPPY THAT GOB DOES NOT GIVE OUT MORE STATISTICS ON

ITS PAYMENTS SITUATION BECAUSE HE THOUGHT FAILURE TO DO SO RESULTED IN

INFLATED ESTIMATES OF BULGARIA'S FOREIGN DEBT, SOMETIMES FOR THE PUR-
POSE OF EXTRACTING MORE ONEROUS CONDITIONS FROM BULGARIA IN ITS FOREIGN

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BORROWING. END SUMMARY.

2. IN EFFORT TO OBTAIN CLEARER PICTURE OF BULGARIAN BALANCE-OF-PAYMENTS

SITUATION, AMBASSADOR DEC 3 CALLED ON FOREIGN TRADE BANK CHAIRMAN KALINOV. AMB NOTED THAT OFFICIAL BULGARIAN STATISTICS SHOW 772 MILLION

LEVA DEFICIT IN TRADE WITH DEVELOPED WESTERN COUNTRIES IN 1975, BUT THAT THIS IS PARTLY OFFSET BY SURPLUS OF 253 MILLION LEVA HARD-CURRENCY

TRADE WITH "NON-SOCIALIST" DEVELOPING COUNTRIES, LEAVING NET HARD CURRENCY TRADE DEFICIT OF ABOUT 520 MILLION DOLLARS (DOLLAR AND LEVA BEING ROUGHLY EQUAL ACCORDING TO OFFICIAL AND ARTIFICIAL EXCHANGE RATE.

SEE PARA 3 BELOW.)

3. NOW, WE KNOW, AMB SAID, THAT BULGARIA IN ADDITION HAS CERTAIN IN-VISIBLE EXPORTS SUCH AS TOURISM, TRUCKING, VISA FEES AND FINES COLLECT-

ED FROM TRANSIENT TURKISH LABORERS, ETC. YET IN WESTERN PRESS AND BANK-

ING CIRCLES ONE SEES ESTIMATES OF 1975 HARD CURRENCY DEFICIT OF OVER 700 MILLION DOLLARS, AND OF BULGARIAN HARD CURRENCY DEBT EXCEEDING TWO

BILLION. IT WOULD HELP US IN RESPONDING TO QUESTIONS FROM AMERICAN BANKERS AND OTHERS IF WE COULD GET AT LEAST A PICTURE OF GENERAL ORDER OF MAGNITUDE OF INVISIBLE NET RECEIPTS.

4. KALINOV, WHO WAS VERY DEFENSIVE THROUGHOUT THE MEETING, SAID HE WAS

IN NO POSITION TO COMMENT ON SUCH FIGURES. THIS WAS NOT A MATTER OF THE BANK'S POLICY OR PREFERENCE, BUT REPRESENTED GOVERNMENT POLICY. ANNUAL TOTALS WHICH APPEARED IN STATISTICAL YEARBOOK WERE ALL THAT COULD BE PROVIDED (AND OF COURSE THEY DO NOT CONTAIN FIGURES ON INVISIBLES). HE TOOK ISSUE VIOLENTLY WITH WHAT HE CALLED "NONSENSE ABOUT OUR COUNTRY" WRITTEN IN SOME WESTERN FINANCIAL JOURNALS AND THEN

WENT INTO SOME SPECIFICS.

5. HIS OWN INSTITUTION'S ANALYSIS OF THE FIGURES THAT HAD RECENTLY
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APPEARED IN THE WEST, HE SAID, SUGGESTED THAT THEY REPRESENTED SIMPLY A COMPILATION OF ALL THE CREDITS THAT HAD BEEN EXTENDED TO BULGARIA, INCLUDING UNUSED LINES OF CREDIT AND SHORT-TERM SUPPLIER CREDITS, AND EVEN SOME THAT HAD ONLY BEEN TALKED ABOUT BUT HAD NEVER BEEN GRANTED, LET ALONE DRAWN. HE CITED AS EXAMPLE A \$100 MILLION CREDIT FROM SEVEN JAPANESE FIRMS THAT HAD NOT BEEN TOUCHED "AND PROBABLY WON'T BE." OCCASIONALLY HE HAD ALSO SEEN REPORTS OF CREDITS ALLEGEDLY GRANTED TO BULGARIA THAT HIS COUNTRY WAS NOT EVEN SEEKING. MOREOVER, FOREIGN

ESTIMATES OF BULGARIA'S DEBT OFTEN DID NOT INCLUDE AMORTIZATION AND REPAYMENTS THAT HAD ALREADY OCCURRED.

6. IMPRESSION THUS GIVEN BY KALINOV WAS THAT HARD CURRENCY DEBT AND BALANCE-OF-PAYMENTS SITUATION OF BULGARIA ARE BETTER THAN ASSUMED IN THE WEST, AND HE STRONGLY IMPLIED THAT HIS BANK WOULD GLADLY PROVIDE THE TRUE AND BETTER FIGURES IF IT WERE PERMITTED TO DO SO, IF ONLY BECAUSE EXAGGERATED REPORTS ABOUT BULGARIA'S DEBT SITUATION WERE BEING

USED TO DRIVE UP THE COST OF WESTERN BORROWING FOR HIS BANK. DESPITE HIS RETICENCE, IN COURSE OF SITUATION A NUMBER OF MINOR CLARIFICATIONS

EMERGED, AS FOLLOWS.

7. DOLLARS FOR CEMA: KALINOV SAID FLATLY "YES" WHEN ASKED IF BULGARIA OBTAINS SOME HARD CURRENCY FROM INTRA-CEMA ABOVE-PLAN TRADE, AND AGREED THAT SUCH POSITIVE BALANCES COULD AFFECT SIZE OF APPARENT HARD CURRENCY DEFICIT. HE WOULD NOT STATE ORDER OF MAGNITUDE NOR IMPACT OF THIS TRADE ON RESERVES. ASKED WHETHER SUCH HARD CURRENCY RECEIPTS WOULD

SHOW UP IN STATISTICS AS SUCH, HE REPLIED THAT THEY WOULD BE INCLUDED IN GLOBAL FIGURES OF TRADE WITH CEMA PARTNERS, I.E. WOULD NOT RPT NOT BE

SEPARATELY IDENTIFIED.

8. FUTURE BORROWING: IN RESPONSE TO QUESTION REGARDING ANTICIPATED BORROWING UNDER THIS FYP RELATIVE TO PREVIOUS FYP, KALINOV RESPONDED GENERALLY THAT IT SEEMED TO HIM IT WOULD BE LESS. FURTHER IMPORTS OF INDUSTRIAL PRODUCERS GOODS WERE ANTICIPATED, BUT OFF PREVIOUS CREDITS,

AND OFFSET BY GENERAL PAYING-OFF OF HARD CURRENCY DEBTS. HE ADDED THAT SUCH MATTERS WERE VERY DEPENDENT UPON PRICE CHANGES DURING TIME IN CONFIDENTIAL

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QUESTION. ALSO AN APPARENT RISE COULD BE CAUSED BY DELIVERIES PREVIOUSLY CONTRACTED. GENERAL EXPECTATION WAS THAT REPAYMENTS WOULD "DEFINITELY" EXCEED NEW DRAWINGS DURING CURRENT FYP.

9. VARIABLE LEV EXCHANGE RATES: IN QUESTION BASED ON RECENT GOB OFFICIAL USAGE OF TERM "VALUTEN LEV" (ROUGHLY, CONVERTIBLE LEV), KALINOV ASSERTED THAT BULGARIA DID NOT VARY RATES ON THE LEV IN TRADE.

HE NOTED, HOWEVER, THAT THE OFFICIAL RATE DID NOT REFLECT INTERNAL PRICE OF ITEMS.

10. IN CLOSING, KALINOV STRESSED AGAIN THAT WHAT WAS WRITTEN ABOUT BULGARIA'S FINANCIAL STATE WAS "FAR FROM REALITY." HE THEN PROCEEDED TO ALLEGE THAT IT WAS IN THE INTEREST OF SOME WESTERN BANKERS TO PAINT

UNFAVORABLE PICTURE IN ORDER TO BLOW UP RATE OF INTEREST ON LOANS
BULGARIA SOUGHT. INTEREST RATES TO "SOCIALIST" COUNTRIES LIKE BULGARIA

WERE THUS KEPT HIGH, DESPITE FACT THAT THEIR THIRTY-YEAR RECORD SHOW-
ED THEM TO BE VERY GOOD CREDIT RISKS. HE SAID BANKERS HAVE "NO REASON
WHATSOEVER TO BE TROUBLED" ABOUT BULGARIA'S ABILITY TO PAY ITS DEBTS.

11. AMBASSADOR CLOSED BY REITERATING HIS EARLIER POINT THAT THIN GRUEL

BULGARIA PROVIDES IN THE WAY OF TRADE AND PAYMENT STATISTICS CERTAINLY

MAKES EASY THE VERY SPECULATION KALINOV WAS DEPRECATING. IN PASSING AMB

ALSO MENTIONED THAT PUBLICATION OF FULLER ECONOMIC AND FINANCIAL
DATA WOULD REPRESENT IMPLEMENTATION OF THE FINAL ACT OF HELSINKI; TO
WHICH KALINOV REPLIED, IN EFFECT, THAT HE WAS ONLY A BANKER AND COULD
NOT
COMMENT ON "POLITICAL MATTERS."
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